

T-Mo 1Q Wows with 1.3M Net Postpaid Adds, Shares Up 8%

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Quarterly earnings don't get much better for a wireless carrier than those reported by T-Mobile Thursday morning. The company added a whopping 1.3 million branded postpaid customers.

Wall Street took notice, as shares of T-Mobile soared over 8 percent in early trading to just under \$32 per share.

While adjusted EBITDA was down a little over 12 percent sequentially to \$1.1 billion, it was for all the right reasons, namely adding a lot of new customers. This was T-Mobile's fourth consecutive quarter of adding over a million total net additions.

In a conference call with media and analysts, CEO John Legere refuted the idea that his company was simply buying customers with its offer to pay ETFs for new customers coming from another carrier.

"What we're really doing is bringing in the highest quality customers in our history at a nominal cost," Legere said.

In a quarter that saw both AT&T and Verizon report first-quarter postpaid net adds of 539,000 and 625,000 respectively, Legere said T-Mobile's Uncarrier strategy appears to have fundamentally changed the game.

"The game really, right now, is between AT&T and Verizon," Legere observed. "Sprint, I don't think Sprint is playing right now."

Perhaps as impressive as all those postpaid additions was the low number of T-Mobile customers leaving for other carriers. Legere and company post a record-low 1.5 percent postpaid churn rate, which was down 20 basis points sequentially and down 40 basis points annually.

T-Mobile is a carrier with confidence right now, and it showed as much in its forecast for 2014. The company revised its estimates for postpaid net additions in the coming year from 2 to 3 million to 2.8 to 3.3 million. For the full year of 2014, T-Mobile now expects adjusted EBITDA to be in the range of \$5.6 billion to \$5.8 billion.

And while all this growth is something to behold for a company that was slowly but surely losing ground quarter after quarter prior to Legere's arrival, it's questionable whether it can be sustained. In Thursday's call, Legere himself recognized the true size and scale of AT&T and Verizon.

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"Don't confuse yourselves...the big are still the biggest," Legere said, noting that players like AT&T and Verizon are thinking long term about how they'll survive. On a day when [Bloomberg reported](#) [1] that Sprint would go ahead with a bid for T-Mobile, Legere acknowledged that consolidation was most definitely a possibility.

"This is clearly a scale game," Legere said, adding that a merger was a sure way to generate the kind of capital needed to compete. If a merger isn't allowed, he said there are "multiple paths we need to look at."

T-Mobile saw some of its lift from its acquisition with MetroPCS. The company said it is way ahead in its transition of MetroPCS customers to the T-Mobile platform, with 53 percent of those customers now on T-Mobile compatible devices. The company also expects to be nearly a year ahead in its decommissioning and re-farming MetroPCS' CDMA network. T-Mobile says it has re-farmed about 50 percent of that spectrum.

And while all was roses for T-Mobile, perhaps the top question on most minds today was why Legere hadn't crashed Sprint's party last night that featured a performance by Pharrell Williams.

"The reason we didn't go to the Sprint party is because if I hear that Happy song one more time, I'm gonna stab someone," Legere joked. "Plus I'm not sure how it would sound on intermittent connectivity."

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